

Message Text

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C O N F I D E N T I A L STATE 169915

E.O. 11652: GDS

TAGS: EEWT, PGEN, HU, US

SUBJECT: VISIT OF DEPUTY FOREIGN MINISTER NAGY

1. THIS CABLE REPORTS THE DISCUSSION OF BILATERAL ISSUES WHICH TOOK PLACE DURING THE VISIT OF DEPUTY FOREIGN MINISTER NAGY. OTHER SUBJECTS ARE BEING REPORTED SEPARATELY.

2. THE CROWN - NAGY SAID THAT THERE IS ALWAYS A LINE WAITING TO SEE THE CROWN. HE HAS NOT SEEN IT HIMSELF YET BUT HE INTENDS TO ACCOMPANY GOVERNOR HARRIMAN TO SEE IT. CONGRESSMAN HAMILTON TOLD NAGY THAT HE THOUGHT THE RETURN CEREMONY HAD BEEN HANDLED WITH GREAT DIGNITY.

3. THE TRADE AGREEMENT AND RELATED ISSUES - NAGY SAID THAT THE TRADE AGREEMENT IS A VERY IMPORTANT DEVELOPMENT AND IS GREATLY APPRECIATED. HE KNEW AMBASSADOR KAISER WAS NOT THE ONLY PERSON INVOLVED ON THE US SIDE, BUT THE AMBASSADOR'S SENSITIVITY IN HANDLING THE DISCUSSION WAS A MAJOR CONTRIBUTION.

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4. THE HUNGARIAN GOVERNMENT HAS ALREADY APPROVED THE AGREEMENT, BUT THAT APPROVAL COULD NOT BE ANNOUNCED UNTIL USG APPROVAL WAS FINAL. HUNGARY HAS ACCEPTED CERTAIN RULES SUCH AS THE REQUIREMENT FOR AN ANNUAL WAIVER REVIEW, BUT

THE GOH HOPES THAT THAT WILL BECOME UNNECESSARY SOMETIME SOON. NAGY MADE THIS LAST POINT SEVERAL TIMES BOTH IN HIS MEETINGS WITH STATE OFFICIALS AND IN HIS MEETINGS WITH CONGRESSMEN. HE SAID IT IS IMPORTANT THAT THE AGREEMENT BE FULLY IMPLEMENTED. THE ANNUAL REVIEW MAY RESTRAIN SOME BUSINESS RELATIONSHIPS. NAGY SAID THAT HUNGARY WELCOMES US FIRMS AS AN ALTERNATE SOURCE OF TECHNOLOGY TO THE EC AND TO JAPAN WHICH HAS BECOME MORE ACTIVE IN THE HUNGARIAN MARKET RECENTLY. HUNGARY WELCOMES THE GIANT US FIRMS, BUT IT HOPES THAT SMALLER FIRMS WILL ALSO TAKE AN ACTIVE INTEREST. HUNGARY EXPECTS THAT TOTAL BILATERAL TRADE TURNOVER WILL REACH SIX TO EIGHT HUNDRED MILLION DOLLARS ANNUALLY BY 1985, AND THAT US EXPORTS WILL CONTINUE TO BE ABOUT TWICE THE VALUE OF HUNGARIAN EXPORTS TO THE US. NAGY SAID THAT WHEN TRADE PROBLEMS ARISE BETWEEN THE TWO COUNTRIES WE SHOULD TRY TO HANDLE THEM AS DISCREETLY AS THE TRADE AGREEMENT WAS HANDLED.

5. EXPORT CONTROL PROBLEM - NAGY TOLD ASSISTANT SECRETARY VEST THAT HE WAS CONCERNED ABOUT SEVERAL EXPORT LICENSES THAT HAD BEEN DENIED TO CONTROL DATA. NAGY SAID THE SAME PRODUCTS HAD ALREADY BEEN APPROVED FOR EXPORT TO ROMANIA. HE HOPED THIS DID NOT REFLECT A US POLICY TO USE EXPORT CONTROLS AS A POLICY LEVER ON THE CEMA COUNTRIES. AFTER INVESTIGATING THE PROBLEM, VEST WAS ABLE TO INFORM NAGY OF SOME OF THE CIRCUMSTANCES SURROUNDING THE CDC APPLICATION. CONFIDENTIAL

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TION. THE LICENSES IN QUESTION ARE FOR A PARTICULAR TYPE OF DISC DRIVE. THIS PRODUCT HAS BEEN LICENSED FOR EXPORT TO ROMANIA FOR USE WITH A COMPUTER THAT HAS A RELATIVELY SMALL CAPACITY. THE EXPORT LICENSE APPLICATION FOR EXPORT TO HUNGARY SPECIFIES THAT THE DRIVES WILL BE USED WITH A MUCH MORE POWERFUL COMPUTER. THE LICENSES HAVE NOT BEEN DENIED YET BUT WE CANNOT BE OPTIMISTIC. DENIAL WOULD NOT CONSTITUTE DISCRIMINATION AGAINST HUNGARY.

6. TOURIST FACILITIES - NAGY SAID THAT HUNGARY'S TOURIST FACILITIES ARE STRAINED BY THE LARGE INCREASE IN TOURISTS. THIS PROBLEM WILL BE PARTLY SOLVED THROUGH COOPERATION WITH AUSTRIA, WHICH HAS AGREED TO BUILD THREE HUNDRED MILLION DOLLARS WORTH OF TOURIST FACILITIES IN HUNGARY USING AUSTRIAN CONSTRUCTION WORKERS. THIS CONSTRUCTION WILL BE FINANCED BY A MEDIUM-TERM LOAN FROM AUSTRIA. NAGY SAID TWO-THIRDS OF HUNGARY'S EARNINGS FROM TOURISM ARE earmarked FOR HUNGARIAN TOURISTS GOING ABROAD. THE REMAINDER IS USED TO FINANCE INVESTMENTS IN HUNGARY. NAGY ALSO COMMENTED THAT HUNGARY HAS HAD SOME DISCUSSIONS WITH HOLIDAY INN.

7. VISITS - NAGY TOLD SENATOR BIDEN THAT HE HOPES MORE
AND MORE MEMBERS OF CONGRESS WILL VISIT HUNGARY. SENATOR
BIDEN SAID HE HOPES TO VISIT NAGY AGAIN NEXT SUMMER. VANCE

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